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Summary

About this Release

Estimates of Purchasing Power Parity (PPP) provide the key to making meaningful comparisons of prices and incomes between countries. However, the rigorous data requirements and international coordination effort underlying their computation impose restrictions on the frequency of PPP benchmark programmes and the timeliness of published results. Consequently it has been common practice for international statistical agencies in the PPP programme to synthesise annual estimates by interpolating and projecting PPP benchmark data, using estimates of annual price change and real growth from the time-series system of national accounts of member countries.

While it is often observed that time series-based projections of PPP benchmarks lead to inconsistent estimates, the reasons for the inconsistency are generally not well understood. Conceptually, such inconsistencies are expected to arise between spatial and temporal indexes. However, in practice it is imperative to understand the differences between the two estimates and the extent to which these may be explained by factors such as data inconsistencies and measurement errors.

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